

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Olive	County Clinton
Audit Date 3/31/05	Opinion Date 7/13/05	Date Accountant Report Submitted to State: 9/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Layton and Richardson, P.C.			
Street Address 1000 Coolidge Road	City East Lansing	State MI	ZIP 48823
Accountant Signature <i>Brenda L. Seelman CPA</i>		Date 9/29/05	

TOWNSHIP OF OLIVE
CLINTON COUNTY, MICHIGAN
FOR THE YEAR ENDED MARCH 31, 2005

TOWNSHIP OF OLIVE

TOWNSHIP BOARD

2004 – 2005

Earl T. Barks

Supervisor

Mistie McKane

Clerk

David Cook

Treasurer

Gail Watkins

Trustee

Lawrence Phinney

Trustee

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INDEPENDENT AUDITORS' REPORT

Township Board
Township of Olive
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Olive, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Olive, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Olive, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Township of Olive, Michigan adopted the provision of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2004.

The management's discussion and analysis and the required supplementary information on pages 3 through 5 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Olive, Michigan's basic financial statements. The accompanying introductory section and the supplemental financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2005 on our consideration of the Township of Olive, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.


Certified Public Accountants

East Lansing, Michigan
July 13, 2005

MANAGEMENT'S DISCUSSION LETTER

As management for the Township of Olive, we offer readers of the Township of Olive financial statement and this overview of the financial activities of the Township of Olive for the fiscal year ended March 31, 2005.

All Funds indicated herein show our current balances as of April 1, 2005

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township of Olive's basic financial statements. The Township of Olive basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the Township of Olive's assets and liabilities, with the difference between the two reported as net assets.

The statement of revenue, expenditures, and changes present the Township's activities and changes during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal year.

Both the government-wide financial statements distinguish functions of the Township of Olive that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township of Olive include legislative, general government, public safety, public works, and cultural.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Olive, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Olive are governmental funds.

MANAGEMENT'S DISCUSSION LETTER - Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources.

The Township of Olive Authority adopts an annual budget each fiscal year that is also approved by the Township Board. During the reported fiscal year, no amendments were made to the annual budget.

Overview of Governmental Funds

The following overview of the Governmental Funds for the Township of Olive is a condensed financial overview of the assets, capitol assets, revenues, and expenditures of the reported fiscal year. This overview is to be a comparative with the previous fiscal year, however, as this is the first year of the new GASB 34 requirement, there is no comparative information available.

TOWNSHIP OF OLIVE FINANCIAL INFORMATION

<u>Category</u>	<u>2005</u>
Assets	\$ 62,215.00
Capitol Assets	\$ 48,977.00
TOTAL ASSETS	\$111,192.00
Liabilities	\$
\$ invested in capitol assets, net of related debt	\$ 48,977.00
Unrestricted Assets	\$ 62,215.00
 PROGRAM REVENUES	
Operating Grants	\$ 154,480.00
Charges for services	\$ 24,980.00
 GENERAL REVENUES	
Taxes	\$ 88,171.00
Interest	\$ 372.00
Miscellaneous	\$ 5,522.00
TOTAL REVENUES	\$273,525.00
TOTAL EXPENSES	\$286,982.00
CHANGE IN NET ASSETS	(\$13,457.00)
ENDING NET ASSETS	\$111,192.00

MANAGEMENT'S DISCUSSION LETTER - Concluded

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in this report. The Notes to Financial Statements can be found on pages 15-21 of this report.

Requests For Information

This financial report is designed to provide a general overview of the Township of Olive's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Office of the Treasurer 10408 Bond Road, DeWitt, MI 48820.

TOWNSHIP OF OLIVE
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2005

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 59,332	\$	\$ 59,332
Investments	1,107		1,107
Due from tax fund	1,776		1,776
Capital assets		48,977	48,977
TOTAL CURRENT ASSETS	<u>\$ 62,215</u>	<u>\$ 48,977</u>	<u>\$ 111,192</u>
EQUITY AND OTHER CREDITS			
Invested in capital assets, net of related debt	\$	\$ 48,977	\$ 48,977
Fund Balance			
Unreserved, undesignated	62,215		62,215
TOTAL EQUITY AND OTHER CREDITS	<u>\$ 62,215</u>	<u>\$ 48,977</u>	<u>\$ 111,192</u>

TOWNSHIP OF OLIVE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/NET ASSETS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
Legislative	\$ 3,291	\$	\$ 3,291
General government	120,452	1,091	121,543
Public safety	73,016		73,016
Public works	89,132		89,132
	<u>285,891</u>	<u>1,091</u>	<u>286,982</u>
PROGRAM REVENUES			
Operating grants	154,480		154,480
Charges for services	24,980		24,980
	<u>179,460</u>		<u>179,460</u>
Net program expense	<u>(106,431)</u>	<u>(1,091)</u>	<u>(107,522)</u>
GENERAL REVENUES			
Property taxes	88,171		88,171
Interest	372		372
Miscellaneous	5,522		5,522
	<u>94,065</u>		<u>94,065</u>
CHANGES IN FUND BALANCE/NET ASSETS	(12,366)	(1,091)	(13,457)
FUND BALANCE/NET ASSETS, APRIL 1	<u>74,581</u>	<u>50,068</u>	<u>124,649</u>
FUND BALANCE/NET ASSETS, MARCH 31	<u><u>\$ 62,215</u></u>	<u><u>\$ 48,977</u></u>	<u><u>\$ 111,192</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF OLIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005

	GENERAL	CEMETARY TRUST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 59,332	\$	\$ 59,332
Due from tax fund	1,776		1,776
Investments	<u> </u>	<u>1,107</u>	<u>1,107</u>
TOTAL ASSETS	\$ <u>61,108</u>	\$ <u>1,107</u>	\$ <u>62,215</u>
FUND EQUITY			
Fund balance			
Unreserved-undesignated	\$ <u>61,108</u>	\$ <u>1,107</u>	\$ <u>62,215</u>

See accompanying notes to financial statements.

TOWNSHIP OF OLIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
MARCH 31, 2005

Total fund balances-governmental funds	\$ 62,215
Amounts reported for governmental activities in the statement of net assets are are different because capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$90,245 and the accumulated depreciation is \$41,268.	<u>48,977</u>
Total net assets-governmental activities	<u>\$ 111,192</u>

TOWNSHIP OF OLIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL	CEMETARY TRUST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 72,731	\$	\$ 72,731
State revenue sharing	154,480		154,480
Administrative fee	15,440		15,440
Charges for services	24,980		24,980
Interest	372		372
Other revenue	5,522		5,522
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	273,525		273,525
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Legislative	3,291		3,291
General government	120,452		120,452
Public safety	73,016		73,016
Public works	89,132		89,132
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	285,891		285,891
	<hr/>	<hr/>	<hr/>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(12,366)		(12,366)
FUND BALANCE, APRIL 1	73,474	1,107	74,581
	<hr/>	<hr/>	<hr/>
FUND BALANCE, MARCH 31	\$ 61,108	\$ 1,107	\$ 62,215
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

TOWNSHIP OF OLIVE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

Net changes in fund balances-total governmental funds	\$ (12,366)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures
however, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives.

Expenditures for capital assets	4,260
Less: current year depreciation	<u>(5,351)</u>
Change in net assets of governmental activities	\$ <u><u>(13,457)</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF OLIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Property taxes	\$ 78,000	\$ 78,000	\$ 72,731	\$ (5,269)
State revenue sharing	138,000	138,000	154,480	16,480
Administrative fee	14,000	14,000	15,440	1,440
Charges for services	24,500	24,500	24,980	480
Interest	200	200	372	172
Other revenue	<u>5,800</u>	<u>5,800</u>	<u>5,522</u>	<u>(278)</u>
TOTAL REVENUES	<u>260,500</u>	<u>260,500</u>	<u>273,525</u>	<u>13,025</u>
EXPENDITURES				
Legislative	3,600	3,600	3,291	309
General government	123,400	123,400	120,452	2,948
Public safety	75,000	75,000	73,016	1,984
Public works	117,000	117,000	89,132	27,868
Cultural	<u>1,500</u>	<u>1,500</u>	<u></u>	<u>1,500</u>
TOTAL EXPENDITURES	<u>320,500</u>	<u>320,500</u>	<u>285,891</u>	<u>34,609</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(60,000)	(60,000)	(12,366)	47,634
FUND BALANCE, APRIL 1	<u>73,474</u>	<u>73,474</u>	<u>73,474</u>	
FUND BALANCE, MARCH 31	<u>\$ 13,474</u>	<u>\$ 13,474</u>	<u>\$ 61,108</u>	<u>\$ 47,634</u>

See accompanying notes to financial statements.

TOWNSHIP OF OLIVE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	BALANCE, APRIL 1	ADDITIONS	DELETIONS	BALANCE, MARCH 31
ASSETS				
Cash in bank	\$ <u>5,882</u>	\$ <u>1,639,037</u>	\$ <u>1,643,143</u>	\$ <u>1,776</u>
LIABILITIES				
Due to other funds	\$ 5,882	\$ 82,630	\$ 86,736	\$ 1,776
Due to county		802,813	802,813	
Due to state education		403,585	403,585	
Due to schools		<u>350,009</u>	<u>350,009</u>	
TOTAL LIABILITIES	\$ <u>5,882</u>	\$ <u>1,639,037</u>	\$ <u>1,643,143</u>	\$ <u>1,776</u>

See accompanying notes to financial statements.

TOWNSHIP OF OLIVE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Township Board, which consists of five members. The Township provides services to its more than 2,500 residents in many areas including law enforcement, fire protection and parks and recreation.

A. Reporting Entity

All funds and account groups under direct control of the Township are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the Township's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Olive and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Olive.

The Township of Olive reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The Cemetery Trust Fund is used to account for resources legally held in trust to be used for cemetery perpetual care. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Olive has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the tax fund.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Township has no proprietary funds.

When both restricted and unrestricted resources are available for use, it is the Township of Olive's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Olive as assets with an initial, individual cost of \$200 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvement	10-20 years
Buildings	10-40 years
Equipment	5-20 years
Vehicles	3-10 years
Utility systems	10-40 years
Streets	20-25 years
Bridges	20-25 years
Sidewalks	20-25 years

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

E. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with an original maturity of 3 months or less.

All investments are stated at cost or amortized cost.

F. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township holds a special meeting to develop the budget for the General Fund for the following fiscal year. Public hearings are conducted to obtain taxpayer comments before the budget is formally adopted.
2. Any revision to the budget must be approved by the Township Board.
3. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
4. All annual appropriations lapse at year end.

G. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **PROPERTY TAXES**

The Township is authorized by State Statute and the Township Charter to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental operating purposes. The combined tax rate to finance governmental services for the year ended March 31, 2005, was .8788 per \$1,000. The total taxable value for the 2004 levy was \$58,621,743.

Pertinent tax dates are as follows:

Lien date	12/01/04
Levy date	12/01/04
Due date without penalty	02/14/05
Collection date	07/01/04 – 02/28/05

NOTE 3: **CASH AND INVESTMENTS**

The captions on the combined balance sheet relating to cash and investments are as follows:

Cash	\$ 59,332
Investments	<u>1,107</u>
	<u>\$ 60,439</u>

A summary by type are:

Deposits	
Cash in demand accounts	\$ 289
Cash in savings accounts/ money market	59,043
Investments	
Certificates of deposit	<u>1,107</u>
	<u>\$ 60,439</u>

Deposits

At March 31, 2005, the banks were carrying a cash balance of \$59,332 - not including any pooled investment funds.

General Fund deposits were insured up to \$100,000, leaving a balance of \$0 uninsured.

Investments

Act 196, P. A. 1997, authorizes the Township to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptance of United States banks.
- (f) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Certain mutual funds as defined in the Act.

NOTE 3: **CASH AND INVESTMENTS – Concluded**

Investments - Concluded

Investments of the Township are in accordance with statutory authority.

There are three levels of risk by which investments are classified. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Township's name.

At March 31, 2005, the Township's investments were classified as follows:

Category 1 (insured)	\$ <u>1,107</u>
Category 2 (uninsured)	\$ _____

The Township has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

NOTE 4: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	APRIL 1, 2004	ADDITIONS	DELETIONS	MARCH 31, 2005
Capital assets being depreciated				
Land and buildings	\$ 77,040	\$	\$	\$ 77,040
Equipment	<u>8,945</u>	<u>4,260</u>	<u> </u>	<u>13,205</u>
Total Capital assets being depreciated	<u>85,985</u>	<u>4,260</u>	<u> </u>	<u>90,245</u>
Less: Accumulated depreciation				
Buildings	34,215	2,872		37,087
Equipment	<u>1,702</u>	<u>2,479</u>	<u> </u>	<u>4,181</u>
Total Accumulated Depreciation	<u>35,917</u>	<u>5,351</u>	<u> </u>	<u>41,268</u>
NET CAPITAL ASSETS	\$ <u>50,068</u>	\$ (<u>1,091</u>)	\$ _____	\$ <u>48,977</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ <u>5,351</u>

NOTE 5: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2003 removed debt service funds as funds requiring a budget. During the year ended March 31, 2005, Olive Township incurred expenditures in excess of appropriations as follows:

	BUDGET	ACTUAL	UNFAVORABLE VARIANCE
GENERAL FUND			
General government			
Election	\$ 2,200	\$ 5,894	\$(3,694)
Assessor	18,000	23,115	(5,115)
Board of Review	800	950	(150)
Contingency	4,700	5,625	(925)
Building and grounds	29,000	32,858	(3,858)
Public Works			
Drainage at large	9,000	9,439	(439)
Public Safety			
Police		600	(600)

NOTE 6: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

TOWNSHIP OF OLIVE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes	\$ 78,000	\$ 72,731	\$ (5,269)
State revenue sharing	138,000	154,480	16,480
Administrative fee	14,000	15,440	1,440
Charges for services	24,500	24,980	480
Interest	200	372	172
Refunds and rebates	5,800	5,522	(278)
TOTAL REVENUES	<u>260,500</u>	<u>273,525</u>	<u>13,025</u>
EXPENDITURES			
Legislative	<u>3,600</u>	<u>3,291</u>	<u>309</u>
General Government			
Supervisor	7,200	6,718	482
Election	2,200	5,894	(3,694)
Clerk	16,000	14,149	1,851
Assessor	18,000	23,115	(5,115)
Board of review	800	950	(150)
Treasurer	17,000	16,104	896
Cemetery	3,000	1,000	2,000
Building and grounds	29,000	32,858	(3,858)
Pension	8,500	5,499	3,001
Insurance	7,600	6,490	1,110
Miscellaneous		2,050	(2,050)
Capital outlay	6,000		6,000
Meals on wheels	1,000		1,000
Contingency	4,700	5,625	(925)
Utilities	2,400		2,400
Total General Government	<u>123,400</u>	<u>120,452</u>	<u>2,948</u>
Public Safety			
Police		600	(600)
Fire	75,000	72,416	2,584
Total Public Safety	<u>75,000</u>	<u>73,016</u>	<u>1,984</u>
Public Works			
Highways and streets	108,000	79,693	28,307
Drain at large	9,000	9,439	(439)
Total Public Works	<u>117,000</u>	<u>89,132</u>	<u>27,868</u>
Cultural			
Library contribution	1,500		1,500
TOTAL EXPENDITURES	<u>320,500</u>	<u>285,891</u>	<u>34,609</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(60,000)	(12,366)	47,634
FUND BALANCE, APRIL 1	<u>73,474</u>	<u>73,474</u>	
FUND BALANCE, MARCH 31	<u>\$ 13,474</u>	<u>\$ 61,108</u>	<u>\$ 47,634</u>



LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Township of Olive
St. Johns, Michigan

We have examined the financial statements of the Township of Olive, Michigan, for the year ended March 31, 2005, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Olive. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Olive is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

CASH DISBURSEMENT PROCEDURES

Currently, the Treasurer is receiving the bank statements and reconciling the accounts. We recommend that someone other than the Treasurer receive and open the bank statements to ensure better control over cash. **This has not been implemented.**

All invoices should be cancelled when paid to prevent the possibility of duplicate payment. **This has been implemented.**

The Township should issue 1099's for all contracted services over \$600.00 to comply with IRS regulations. **This has been implemented.**

Each check should require two signatures. This will help ensure that all checks being written are for proper Township bills. **This has been implemented.**

The Township should request the cancelled checks back from the bank to ensure that all money being disbursed is for Township purposes. **This was implemented in January, 2005.**

PRIOR YEAR RECOMMENDATIONS - Concluded

CASH RECEIPTS

Someone other than the Treasurer should reconcile the total tax deposits for the year to the total amount deposited to help ensure proper receipting of cash. **This has not been implemented.**

CURRENT YEAR RECOMMENDATION

PAYROLL

The W-2's do not appear correct. For example, if the Township paid the election workers share of FICA and medicare the amount paid was added to taxable wages for federal income taxes but not taxable FICA and medicare wages. In many other instances the taxable wages on federal income taxes does not agree with taxable wages for medicare and FICA. We recommend that the Township review these with the payroll company.

We are grateful to the Township employees for their assistance and cooperation extended to us during the audit.

Very truly yours,


Certified Public Accountants

East Lansing, Michigan
July 13, 2005